

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI PRIORITY

C O N F I D E N T I A L STATE 193828

PLEASE DELIVERY BEFORE 7:30 A. M. LOCAL TIME

FOR THE HONORABLE ARTHUR F. BURNS, CHAIRMAN
FEDERAL RESERVE BOARD, HOTEL INTERCONTINENTAL

CONTINENTAL CURRENCIES WERE GENERALLY EASIER AGAINST THE DOLLAR TODAY. THE FRENCH FRANC SHOWED THE GREATEST DECLINE, ABOUT 1/2 PERCENT, IN RESPONSE TO THE LIFTING OF INFORMAL RESTRICTIONS ON FRENCH'S LENDING TO NON-RESIDENTS IN FRANCS. STERLING DROPPED SHARPLY AT ONE POINT EARLY IN THE DAY ON RUMORS THAT HONG KONG WAS WITHDRAWING FROM THE STERLING BALANCES ARRANGEMENT. AFTER THIS RUMOR WAS OFFICIALLY DENIED, STERLING REGAINED MOST OF ITS EARLIER LOSS.

THE CANADIAN DOLLAR AND THE JAPANESE YEN WERE BOTH WEAKER AGAINST THE DOLLAR. THE BANK OF CANADA SOLD \$16 MILLION; THE BANK OF JAPAN SOLD \$55 MILLION.

THE SYSTEM AGAIN PURCHASED MARKS AND BELGIAN FRANCS IN THE NEW YORK MARKET TOWARD REPAYMENT OF SWAP OBLIGATIONS. GOLD DROPPED BY \$1.25 TO \$100.00 EURO-DOLLAR RATES WERE MIXED, WITH THE SHORTER MATURITIES TENDING HIGHER AND THE LONGER MATURITIES LOWER.

THE INDEX OF PRICES RECEIVED BY FARMERS FELL 8 PERCENT DURING THE MONTH ENDING SEPTEMBER 15 FOLLOWING A RISE OF
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20 PERCENT IN THE PRECEDING MONTH. CONTRIBUTING MOST TO

THE DECLINE WERE LOWER PRICES FOR HOGS, SOYBEANS, AND CORN. HIGHER PRICES FOR MILK, COTTON AND WHEAT WERE ONLY PARTIALLY OFFSETTING. PRICES PAID BY FARMERS FOR FAMILY LIVING ITEMS INCREASED 0.7 PERCENT DURING THE MONTH, FOLLOWING AN INCREASE OF 2 PERCENT IN AUGUST.

THE MICHIGAN NATIONAL CORPORATION, WHICH CONTROLS SIX DETROIT BANKS WITH DEPOSITS TOTALLING \$2.9 BILLION, ANNOUNCED A REDUCTION IN THEIR PRIME RATE TO 9-1/2 PER CENT TODAY. PARTLY REFLECTING THIS ANNOUNCEMENT, BOND MARKETS AGAIN HAD A FIRM TONE TODAY, WHILE BILL RATES WERE NARROWLY MIXED. THE 3-MONTH BILL ROSE 2 BASIS POINTS TO 6.98 PER CENT. FEDERAL FUNDS TRADED IN A 10-1/2 TO 11-1/8 PER CENT RANGE, WITH MOST TRANSACTIONS NEAR THE UPPER END OF THE RANGE. THE DESK SUPPLIED ABOUT \$1 BILLION OF RESERVES THROUGH REPURCHASE AGREEMENTS AND OUTRIGHT PURCHASES OF BILLS FROM FOREIGN OFFICIAL ACCOUNTS. STOCK PRICES DECLINED ON PROFIT-TAKING BUT CLOSED WELL ABOVE THEIR MORNING LOWS. THE DOW JONES INDUSTRIALS WERE OFF 6.17 POINTS TO A CLOSING LEVEL OF 947.10. TRADING WAS MUCH LESS ACTIVE TODAY. KISSINGER

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